

TOWNSHIP OF GRANT  
St. Clair County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

# AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Grant	<b>County</b> St. Clair
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> August 7, 2006	<b>Date Accountant Report Submitted to State:</b> August 7, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

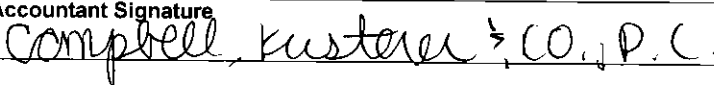
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

<b>We have enclosed the following:</b>	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
		<b>Zip</b> 48707	
<b>Accountant Signature</b> 			

TOWNSHIP OF GRANT  
St. Clair County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

August 7, 2006

To the Township Board  
Township of Grant  
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Grant, St. Clair County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Grant's management. Our responsibility is to express opinions on these financial statements based on our audit.

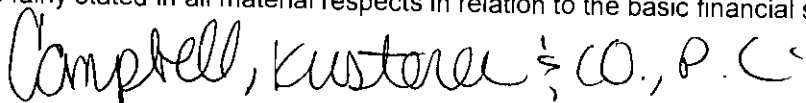
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Grant, St. Clair County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GRANT  
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Grant covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$1,039,836.43 for governmental activities.

Overall revenues were \$521,133.24. Governmental activities had a \$87,491.31 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Road Construction Fund, the Road Maintenance Fund, the Special Fire Fund, and the One Mill Fire Debt Service Fund.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General, Special Revenue, and Debt Service Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$316,340.95.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$297,654.34.

The Township paid \$25,000.00 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Kathleen Bert, at (810)327-6775 ext. 201 or the Township Clerk, Nancy Sharum, at (810)327-6775 ext. 202.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	386 011 66
Taxes receivable	<u>24 053 10</u>
Total Current Assets	<u>410 064 76</u>
NON-CURRENT ASSETS:	
Capital Assets	1 275 771 34
Less: Accumulated Depreciation	<u>(329 057 00)</u>
Total Non-current Assets	<u>946 714 34</u>
TOTAL ASSETS	<u><u>1 356 779 10</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 715 62</u>
Total Current Liabilities	<u>1 715 62</u>
NON-CURRENT LIABILITIES:	
Contracts payable	<u>315 227 05</u>
Total Non-current Liabilities	<u>315 227 05</u>
TOTAL LIABILITIES	<u>316 942 67</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	631 487 29
Unrestricted	<u>408 349 14</u>
Total Net Assets	<u>1 039 836 43</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 356 779 10</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	17 441 06	-	(17 441 06)
General government	146 434 22	18 597 94	(127 836 28)
Public safety	85 628 91	42 427 35	(43 201 56)
Public works	160 965 96	85 857 80	(75 108 16)
Culture and recreation	11 744 31	-	(11 744 31)
Interest on long-term debt	11 427 50	-	(11 427 50)
Total Governmental Activities	<u>433 641 96</u>	<u>146 883 09</u>	<u>(286 758 87)</u>
General Revenues:			
Property taxes			222 663 77
State revenue sharing			122 210 00
Interest			6 916 96
Miscellaneous			<u>22 459 45</u>
Total General Revenues			<u>374 250 18</u>
Change in net assets			87 491 31
Net assets, beginning of year			<u>952 345 12</u>
Net Assets, End of Year			<u>1 039 836 43</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GRANT  
St. Clair County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2006

	<u>General</u>	<u>One Mill Fire</u>	<u>Road Construction</u>
<u>Assets</u>			
Cash in bank	202 589 57	4 766 72	91 757 16
Taxes receivable	10 220 20	3 515 53	3 652 42
Due from other funds	<u>13 281 70</u>	<u>-</u>	<u>-</u>
Total Assets	<u>226 091 47</u>	<u>8 282 25</u>	<u>95 409 58</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>1 715 62</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1 715 62</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>224 375 85</u>	<u>8 282 25</u>	<u>95 409 58</u>
Total fund equity	<u>224 375 85</u>	<u>8 282 25</u>	<u>95 409 58</u>
Total Liabilities and Fund Equity	<u>226 091 47</u>	<u>8 282 25</u>	<u>95 409 58</u>

The accompanying notes are an integral part of these financial statements.

<u>Road Maintenance</u>	<u>Other Funds</u>	<u>Total</u>
52 292 56	21 323 95	372 729 96
3 652 42	3 012 53	24 053 10
<u>-</u>	<u>-</u>	<u>13 281 70</u>
<u>55 944 98</u>	<u>24 336 48</u>	<u>410 064 76</u>
<u>-</u>	<u>-</u>	<u>1 715 62</u>
<u>-</u>	<u>-</u>	<u>1 715 62</u>
<u>55 944 98</u>	<u>24 336 48</u>	<u>408 349 14</u>
<u>55 944 98</u>	<u>24 336 48</u>	<u>408 349 14</u>
<u>55 944 98</u>	<u>24 336 48</u>	<u>410 064 76</u>

TOWNSHIP OF GRANT  
St. Clair County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	408 349 14
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 275 771 34
Accumulated depreciation	(329 057 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contracts payable	<u>(315 227 05)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 039 836 43</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>	<u>One Mill Fire</u>	<u>Road Construction</u>
Revenues:			
Property taxes	40 012 92	46 419 47	48 226 96
Licenses and permits	32 805 50	-	-
State revenue sharing	122 210 00	-	-
Charges for services	18 597 94	-	-
Interest	3 003 38	2 070 26	935 97
Special assessments	85 857 80	-	-
Miscellaneous	17 459 45	-	5 000 00
Total revenues	<u>319 946 99</u>	<u>48 489 73</u>	<u>54 162 93</u>
Expenditures:			
Legislative:			
Township Board	17 441 06	-	-
General government:			
Supervisor	8 433 96	-	-
Elections	796 38	-	-
Clerk	10 590 00	-	-
Assessor	11 033 22	-	-
Board of Review	2 152 80	-	-
Treasurer	13 901 78	-	-
Cemetery	795 08	-	-
Building and grounds	24 004 12	-	-
Unallocated	60 113 48	-	-
Public safety:			
Fire protection	15 606 11	-	-
Planning and zoning	6 982 00	-	-
Protective inspection	25 163 46	-	-
Public works:			
Highways and streets	25 368 14	-	25 482 77
Sanitation	80 115 05	-	-
Culture and recreation:			
Parks	7 844 31	-	-
Capital outlay	6 000 00	285 227 05	-
Debt service	-	-	-
Total expenditures	<u>316 340 95</u>	<u>285 227 05</u>	<u>25 482 77</u>
Excess (deficiency) of revenues over expenditures	<u>3 606 04</u>	<u>(236 737 32)</u>	<u>28 680 16</u>
Other financing sources (uses):			
Loan proceeds	-	115 227 05	-
Total other financing sources (uses)	<u>-</u>	<u>115 227 05</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 606 04	(121 510 27)	28 680 16
Fund balances, April 1	<u>220 769 81</u>	<u>129 792 52</u>	<u>66 729 42</u>
Fund Balances, March 31	<u>224 375 85</u>	<u>8 282 25</u>	<u>95 409 58</u>

The accompanying notes are an integral part of these financial statements.

<u>Road Maintenance</u>	<u>Other Funds</u>	<u>Total</u>
48 266 96	39 777 46	222 663 77
-	-	32 805 50
-	-	122 210 00
-	9 621 85	28 219 79
665 37	241 98	6 916 96
-	-	85 857 80
-	-	22 459 45
<u>48 892 33</u>	<u>49 641 29</u>	<u>521 133 27</u>
-	-	17 441 06
-	-	8 433 96
-	-	796 38
-	-	10 590 00
-	-	11 033 22
-	-	2 152 80
-	-	13 901 78
-	-	795 08
-	-	24 004 12
-	-	60 113 48
-	2 763 88	18 369 99
-	-	6 982 00
-	-	25 163 46
30 000 00	-	80 850 91
-	-	80 115 05
-	-	7 844 31
-	6 427 29	297 654 34
-	36 427 50	36 427 50
<u>30 000 00</u>	<u>45 618 67</u>	<u>702 669 44</u>
<u>18 892 33</u>	<u>4 022 62</u>	<u>(181 536 17)</u>
<u>-</u>	<u>-</u>	<u>115 227 05</u>
<u>-</u>	<u>-</u>	<u>115 227 05</u>
18 892 33	4 022 62	(66 309 12)
<u>37 052 65</u>	<u>20 313 86</u>	<u>474 658 26</u>
<u>55 944 98</u>	<u>24 336 48</u>	<u>408 349 14</u>

TOWNSHIP OF GRANT  
St. Clair County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	(66 309 12)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(53 626 86)
Capital Outlay	297 654 34

Receipt of dept proceeds is a financing source in the government funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets.

Loan proceeds	(115 227 05)
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Repayment of dept proceeds is a financing source in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the dept balance in the statement of net assets.

Principal payments on long-term debt	<u>25 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>87 491 31</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Grant, St. Clair County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Grant. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund

This fund is used to record the funding and payment of principal and interest on long-term debt.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 3.4975 mills, and the taxable value was \$49,785,110.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.



TOWNSHIP OF GRANT  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	2-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$946,714.34.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>408,381.29</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>595 707 93</u>
Total Deposits	<u>695 707 93</u>

The Township did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	108 000 00		-	108 000 00
Building	500 000 00	-	-	500 000 00
Equipment	<u>370 177 00</u>	<u>297 654 34</u>	-	<u>667 771 34</u>
Total	978 117 00	-	-	1 275 771 34
Accumulated Depreciation	<u>(275 430 14)</u>	<u>(53 626 86)</u>	-	<u>(329 057 00)</u>
Net Capital Assets	<u>702 686 86</u>	<u>244 027 48</u>	-	<u>946 714 34</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Building Permits

As of March 31, 2006, the Township had building permit revenues of \$23,496.00 and building permit expenses of \$25,163.46.

Note 8 – Pension Plan

The Township has a defined contribution pension plan for its elected officials and other qualified employees of the Township. The township contributes a percentage of each employee's wages to the plan. Pension expense for the fiscal year ended March 31, 2006 was \$1,526.64.

TOWNSHIP OF GRANT  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	13 281 70	Current Tax Collection	13 281 70
Total	<u>13 281 70</u>	Total	<u>13 281 70</u>

**Note 10 – Changes in General Long-Term Debt**

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
Contract payable	-	115 227 05	-	115 227 05
Bonds payable	<u>225 000 00</u>	<u>-</u>	<u>25 000 00</u>	<u>200 000 00</u>
Equipment	<u>225 000 00</u>	<u>115 227 05</u>	<u>25 000 00</u>	<u>315 227 05</u>

**Note 11 – 1996 Bonds Payable**

On November 1, 1996 the Township of Grant issued bonds in the amount of \$400,000.00 for the purpose of paying the cost of acquiring, constructing, equipping and furnishing a Township hall. The Township of Grant has pledged its full faith and credit for payment of the principal and interest on these bonds. The bonds bear interest at rates that vary from 4.6% to 5.45% per annum, payable semi-annually. The principal balance outstanding as of March 31, 2006 is as follows:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
5-1-2006	\$30 000 00	5.00%
5-1-2007	30 000 00	5.10%
5-1-2008	30 000 00	5.20%
5-1-2009	35 000 00	5.30%
5-1-2010	35 000 00	5.40%
5-1-2011	<u>40 000 00</u>	<u>5.50%</u>
Total	<u>\$200,000.00</u>	

**Note 12 – Contract Payable**

On March 15, 2006 the Township obtained a loan in the amount of \$115,227.05 to partially fund the purchase of fire equipment. The principal balance outstanding on March 31, 2006, was \$115,227.05

TOWNSHIP OF GRANT  
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	37 600 00	37 600 00	40 012 92	2 412 92
License and permits	27 180 00	27 180 00	32 805 50	5 625 50
State revenue sharing	1180 000 00	118 000 00	122 210 00	4 210 00
Charges for services	22 500 00	22 500 00	18 597 94	(3 902 06)
Interest	1 500 00	1 500 00	3 003 38	1 503 38
Special assessment	78 000 00	78 000 00	85 857 80	7 857 80
Miscellaneous	9 589 00	9 589 00	17 459 45	7 870 45
Total revenues	<u>294 369 00</u>	<u>294 369 00</u>	<u>319 946 99</u>	<u>25 577 99</u>
Expenditures:				
Legislative:				
Township Board	35 000 00	35 000 00	17 441 06	(17 558 94)
General government:				
Supervisor	8 434 00	8 434 00	8 433 96	( 04)
Elections	3 000 00	3 000 00	796 38	(2 203 62)
Clerk	10 590 00	10 590 00	10 590 00	-
Assessor	11 500 00	11 500 00	11 033 22	(466 78)
Board of Review	2 500 00	2 500 00	2 152 80	(347 20)
Treasurer	14 112 00	14 112 00	13 901 78	(210 22)
Cemetery	1 500 00	1 500 00	795 08	(704 92)
Building and grounds	25 000 00	25 000 00	24 004 12	(995 88)
Unallocated	61 000 00	61 000 00	60 113 48	(886 52)
Public safety:				
Fire protection	16 000 00	16 000 00	15 606 11	(393 89)
Planning and zoning	7 296 00	7 296 00	6 982 00	(314 00)
Protective inspection	30 000 00	30 000 00	25 163 46	(4 836 54)
Public works:				
Highways and streets	27 000 00	27 000 00	25 368 14	(1 631 86)
Sanitation	81 000 00	81 000 00	80 115 05	(884 95)
Culture and recreation:				
Parks	17 500 00	17 500 00	7 844 31	(9 655 69)
Capital outlay	<u>7 500 00</u>	<u>7 500 00</u>	<u>6 000 00</u>	<u>(1 500 00)</u>
Total expenditures	<u>358 932 00</u>	<u>358 932 00</u>	<u>316 340 95</u>	<u>(42 591 05)</u>
Excess (deficiency) of revenues over expenditures	(64 563 00)	(64 563 00)	3 606 04	68 169 04
Fund balance, April 1	<u>163 605 30</u>	<u>163 605 30</u>	<u>220 769 81</u>	<u>57 164 51</u>
Fund Balance, March 31	<u>99 042 30</u>	<u>99 042 30</u>	<u>224 375 85</u>	<u>125 333 55</u>

TOWNSHIP OF GRANT  
St. Clair County, Michigan

**BUDGETARY COMPARISON SCHEDULE – ONE MILL FIRE FUND**  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	46 360 00	46 360 00	46 419 47	59 47
Interest	-	-	2 070 26	2 070 26
Total revenues	<u>46 360 00</u>	<u>46 360 00</u>	<u>48 489 73</u>	<u>2 129 73</u>
Expenditures:				
Capital outlay	<u>288 150 40</u>	<u>288 150 40</u>	<u>285 227 05</u>	<u>(2 923 35)</u>
Total expenditures	<u>288 150 40</u>	<u>288 150 40</u>	<u>285 737 32</u>	<u>(2 923 35)</u>
Excess (deficiency) of revenues over expenditures	<u>(241 790 40)</u>	<u>(241 790 40)</u>	<u>(236 737 32)</u>	<u>5 053 08</u>
Other financing sources (uses):				
Loan proceeds	<u>115 000 00</u>	<u>115 000 00</u>	<u>115 227 05</u>	<u>227 05</u>
Total other financing sources (uses)	<u>115 000 00</u>	<u>115 000 00</u>	<u>115 227 05</u>	<u>227 05</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(126 790 40)</u>	<u>(126 790 40)</u>	<u>(121 510 27)</u>	<u>5 280 13</u>
Fund balance, April 1	<u>126 790 40</u>	<u>126 790 40</u>	<u>129 792 52</u>	<u>3 002 12</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>8 282 25</u>	<u>8 282 25</u>

TOWNSHIP OF GRANT  
St. Clair County, Michigan

**BUDGETARY COMPARISON SCHEDULE – ROAD CONSTRUCTION FUND**

Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	48 162 00	48 162 00	48 276 96	64 96
Interest	-	-	935 97	935 97
Miscellaneous	-	-	5 000 00	5 000 00
Total revenues	<u>48 162 00</u>	<u>48 162 00</u>	<u>54 162 93</u>	<u>6 000 93</u>
Expenditures:				
Public works:				
Highways and streets	40 000 00	40 000 00	25 482 77	(14 517 23)
Total expenditures	<u>40 000 00</u>	<u>40 000 00</u>	<u>25 482 77</u>	<u>(14 517 23)</u>
Excess (deficiency) of revenues over expenditures	8 162 00	8 162 00	28 680 16	20 518 16
Fund balance, April 1	<u>63 191 40</u>	<u>63 196 40</u>	<u>66 729 42</u>	<u>3 538 02</u>
Fund Balance, March 31	<u><u>71 353 40</u></u>	<u><u>71 353 40</u></u>	<u><u>95 409 58</u></u>	<u><u>24 056 18</u></u>

TOWNSHIP OF GRANT  
St. Clair County, Michigan

**BUDGETARY COMPARISON SCHEDULE – ROAD MAINTENANCE FUND**  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	48 162 00	48 162 00	48 226 96	64 96
Interest	-	-	665 37	665 37
Total revenues	<u>48 162 00</u>	<u>48 162 00</u>	<u>48 892 33</u>	<u>730 33</u>
Expenditures:				
Public works:				
Highways and streets	30 000 00	30 000 00	30 000 00	-
Total expenditures	<u>30 000 00</u>	<u>30 000 00</u>	<u>30 000 00</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	18 162 00	18 162 00	18 892 33	730 33
Fund balance, April 1	<u>33 514 64</u>	<u>33 514 64</u>	<u>37 052 65</u>	<u>3 538 01</u>
Fund Balance, March 31	<u><u>51 676 64</u></u>	<u><u>51 676 64</u></u>	<u><u>55 944 98</u></u>	<u><u>4 268 34</u></u>



TOWNSHIP OF GRANT  
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>35 012 45</u>	<u>1 388 197 51</u>	<u>1 387 558 63</u>	<u>35 651 33</u>
<u>Liabilities</u>				
Due to other funds	16 455 85	300 699 08	303 873 23	13 281 70
Due to others	<u>18 556 60</u>	<u>1 087 498 43</u>	<u>1 083 685 40</u>	<u>22 369 63</u>
Total Liabilities	<u>35 012 45</u>	<u>1 388 197 51</u>	<u>1 387 558 63</u>	<u>35 651 33</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 7, 2006

To the Township Board  
Township of Grant  
St. Clair County, Michigan

We have audited the financial statements of the Township of Grant for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Grant in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Grant  
St. Clair County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Grant began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board  
Township of Grant  
St. Clair County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Handwritten signature in cursive script that reads "Campbell, Kusterer & Co., P.C.".

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants